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What is New in the Tax Administration Procedure?

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On 20 February 2003 the Ukrainian parliament passed *Act No.550-IV* that influences the procedure of tax administration. Well-known and frequently criticized (mostly by taxpayers), the *Ukrainian Procedure for Paying off Taxpayers Liabilities to Budgets and State Funds Act, Act No.2181*, has now been amended. Amendments came into effect on 26 March 2003 (the date of official publication). The revised Act contains both positive and negative innovations for Ukrainian taxpayers which are described in more detail below. In general, the Act is aimed at improving the tax collection procedure and eliminating errors and gaps that existed in the previous version. Nevertheless, the Act now contains clauses that significantly extend the remit and jurisdiction of the tax authorities.

Summary of new rules:

- the term for tax payment after the filing of the tax declaration is extended to up to 30 days (previously — 10 days);
- the fine for mistakes in the tax declaration that were revealed by the taxpayer was reduced to 5 %;
- from now on the tax declaration can be filed by e-mail;
- tax inspection officials are obliged to accept the declaration from the taxpayer without prior checking. For violation of this rule the Act provides financial and disciplinary liability of tax authority officials;
- from now on the rules on conflict of interests shall apply to any relations with the tax authorities (previously used only in appeal agreements);
- the decisions of tax authorities shall be deemed to be executive documents. It means that they are authorized to conduct compulsory deductions from taxpayers' bank accounts in order to pay off a tax debt;
- tax authority officials shall be authorized to check the security of taxpayer's assets which are used in a pledge;
- tax officials shall be authorized to collect tax debts directly from taxpayer's debtors.

Payments to Pension and Social Security Funds

The rule of the *Act No.2181* came to apply to the administration of mandatory payments to the Pension Fund and to the Social Insurance Funds. It means that:

- Pension Fund and Social Insurance Funds will gain the powers of *controlling authorities* stipulated in the *Act No.2181*;
- The terms of tax payment, the liability for violation of tax administration procedure, appeal procedure stipulated in the *Act No.2181* are now applicable to the above-mentioned payments.

Filing of tax declaration

The declaration filing procedure has been improved significantly. Tax authority officials are now personally liable for refusal to accept the tax declaration. The new Act envisages financial and disciplinary liability for officials who violate this rule. There is also an alternative way when the taxpayer can file the declaration by mail in the 10-day term prior to the filing deadline for the particular reporting period.

Offsetting taxes

Article 7.1.1 previously provided the legal base for charging a tax credit against tax obligation upon a taxpayer's decision despite the fact that Acts on the State Budget usually prohibit any kind of offset with State Budget. Under the new rule the repayment shall be initiated by a taxpayer's request but the final decision shall be taken by tax authorities jointly with the State Treasury.

Conflict of interests

From now on there shall be no restriction in the application of the rule, which requires the decision to be taken in the taxpayer's favor when there is contradiction between two acts or different interpretation of a rule. Previously, the *conflict of interests* rule was used only for appeal agreements. ■

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